

Montana University System's Optional Retirement Plan (ORP)  
**HB 95**

**Goal: To improve the hiring and retention of Montana University Professors.**

A Brief Legislative History of ORP

The Legislative body voted the Optional Retirement Plan program in 1987. Title 19, Chapter 21. The legislature made membership mandatory for faculty and administrators in 1993. The State contribution, as a percent of the employees' salary, is equal to 4.956%. The employee is obligated to contribute 7.044% to the ORP program. The ORP employer is still obligated to contribute 4.04% to the Teachers Retirement System (TRS) of which the ORP employee is not a member and the employee will not draw from TRS at the time of retirement. Professors that were presently in TRS were give the option to stay in TRS or Switch to the ORP. The Professors that switched to the ORP did not receive the state contribution that was originally placed in their account with TRS. TRS presently receives employer contributes of 7.47% and employee contributions of 7.15% resulting in a total contribution of 14.62 % per employee. The ORP total contribution equals 12.0 %.

Rates of ORP Funding By Surrounding State  
**Rate of Contribution**

<u>State</u>	<u>Employer</u>	<u>Employee</u>
Idaho	7.718%	6.97%
<b>Montana</b>	<b>4.956%</b>	<b>7.044%</b>
North Dakota		
# Tier 1	4.5%, 9.5%, 10.0%	0.5%, 1.5%, 2%
# Tier 2	9.5%, 10%	1.5%, 2%
South Dakota	Varies 6% - 8%	Varies 6% - 8%
Utah	14.2%	None
Washington		
Age < 35	5%	5%
Age 35 – 50	7.5%	7.5%
Age > 50	10%	10%
Wyoming	11.25%	None

\*A complete list of ORP funding by State can be found at the end of this paper.

# See explanation at the bottom of the table of *Rate of ORP Funding by State*

**The rate of contribution is tied to the employee's salary.**

Montana University professors are compensated at the bottom end of the 50 states. Therefore, the total rate of contribution compounds at a disproportion in comparisons to our surrounding states.

**Example:** a comparison of a 51 year old professor in Washington and the Washington State contribution per year vs. a 51 year old Montana professor and the Montana State contribution per year. (The Washington professor will receive a higher total contribution per year due to a higher wage and higher state contribution.)

<u>Washington State Professor</u>	<u>Montana State Professor</u>
Salary \$80,000 X 10% Cont. = <b>\$8,000/yr</b>	Salary \$45,000 X 4.956% Cont. = <b>\$2,230/yr</b>

**The value of each professor's retirement account after 30 years of service will be vastly different.**

**\*Rate of ORP Funding By State**

**Rate of Contribution**

<u>State</u>	<u>Employer</u>	<u>Employee</u>
Alaska	12%	8.65%
Arizona	7%	7%
Arkansas	10%	6%
California	10.88%	6%
Colorado	9%	8%
Connecticut	8%	5%
Delaware	11%	4%
Florida	11.81%	Up to 11.81%
Georgia	4%	5%
Idaho	7.718%	6.97%
Indiana	Varies	
Iowa	10%	5%
Kansas	8.5%	5.5%
Kentucky	Varies	
Louisiana	7.089%	8.0%
Maine	10%	4%
Maryland	7.25%	Varies
Massachusetts	5%	8%

Michigan	10%	5%
Minnesota	6%	4.5%
Mississippi	9.75%	7.25%
<b>Montana</b>	<b>4.956%</b>	<b>7.044%</b>
Nebraska		
Tier 1	6%	3.5%
Tier 2	7.5%	5.5%
Nevada	10%	10%
New Hampshire	9%	6%
New Jersey	8%	5%
New Mexico	8.65%	5.65%
New York	Varies	
North Carolina	6.66%	6%
North Dakota		
# Tier 1	4.5%, 9.5%, 10%	0.5%, 1.5%, 2%
# Tier 2	9.5%, 10%	1.5%, 2%
Oklahoma	15% for salaries > \$9,000	6% for first \$25,000; 7% for > \$25,000
Oregon	8.46%	6%
Pennsylvania	9.29%	5%
Rhode Island	9%	5%
South Carolina	4.25%	6%
South Dakota	Varies 6% - 8%	Varies 6% - 8%
Tennessee	11% + Social Security	0%
Texas	6%	6.65%
Utah	14.2%	None
Vermont	10%	3%
Virginia	10.4%	3%
Washington		
Age < 35	5%	5%
Age 35 - 49	7.5%	7.5%
Age > 50	10%	10%
West Virginia	7.5%	4.5%
Wyoming	11.25%	None

# North Dakota

**Tier 1:** Teaching and research faculty with rank of assistant professor or instructor, research personnel and lecturers with equivalent rank, and professional staff (3000 band) participate in the TIAA/CREF plan as of the date of first employment at an employee-employer contribution rate of 5 percent (1/2 percent employee contribution, 4.5 percent employer contribution); after two years of service the rate shall be 11 percent (1.5 percent employee contribution, 9.5 percent employer contribution); after ten years of service the rate shall be 12 percent (2.0 percent employee contribution, 10.0 percent employer contribution).

**Tier 2:** Teaching and research faculty with rank of professor or associate professor, research personnel with equivalent rank, and executive and administrative staff (1000 band) participate in the TIAA/CREF plan as of the date of first employment at an employee-employer contribution rate of 11 percent of contract salary (1.5 percent employee contribution, 9.5 percent employer contribution.) After 10 years of service, the total contribution rate shall be 12 percent (2.0 percent employee contribution, 10 percent employer contribution).